

MMDC - May 5, 1997

Strategic Thinking Situation

Example

Consumer Learning for Promotions

Merit Awards

Consumer Learning for Media

VS Booklist

Brand Equity in Advertising

B&H Advertising Strategy

Brand Equity in Promotion

Parliament Packaging

Product Performance as Competition

Basic vs Doral

Financial Promotion Choices

Direct vs Buy Down

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Situation

Consumer Learning for Promotions

- Last year's Merit Awards catalog was a terrific success with better than ever response and redemption.
 - How do you create a collection for the next catalog that will be even better?
 - What information do you need?
 - What process can you use to evaluate it?

Merit Consumer Demographics

		<u>Industry</u>	<u>Total Low Tar</u>	<u>Merit</u>
Gender	Female	49	56	52
	Male	51	44	48
Age	18-24	14	13	2
	25-34	25	24	17
	35-44	26	27	40
	45-64	18	18	22
	55-64	10	11	12
	Age 65+	7	7	7
	Median Age	38	39	42
Region	1	19	18	27
	2	23	24	20
	3	18	19	14
	4	25	25	24
	5	15	14	15
Education	College	43	48	61
Race	White	83	88	94
Income	>30,000	47	51	64

Merit Consumer Trends

Psychology

- Changing/maturing life style
- Low tar a responsible, rational choice
- Taste is still critical

Life style

- Job/Family transition
- Suburban/Upscale

Loyalty

- Loyalty improving
- In/Out switching gap closed - Ultras
- In-Switchers late 20's

Qualitative Consumer Perceptions

Ideal Merit Catalog Offers

- **Special/A Treat** (not common, ordinary, or cheap)
- **Useful** (for self, family, or as a gift)
- **Implicit Quality** (brand name, material, description, appearance)
- **Low Risk/Familiar** (catalog safe)
- **Not Too Taste-Specific**
- **Subtle/No Merit Branding**
- **Accessible UPC Values**

Catalog Items For Review

- Sony TV Watchman
- Binoculars
- Garden Bench/Storage Unit
- Water Bottles
- Car Compass
- 4-in-1 Jacket
- Cordless Phone
- 3-Man Tent
- Travel Alarm
- Umbrella
- Bathrobe
- Garden Bench/Adirondack Chair
- Unstructured Roller Bag
- Hanging Kit Bag
- Coffee Maker
- Eddie Bauer Weathered Crew Sweater
- Gore-Tex Jacket
- BBQ Tool Set
- Sony Sports Radio
- Leather Backpack
- Fleece Slippers
- Pocket Camera
- Canvas Day Pack
- Thermal Tees
- Sony Car Discman
- Weber Portable Grill
- Hiking Boots
- Leather Jacket
- Flannel Sheets
- Margarita Set
- Chili Bowls

Consumer Response To Items

Most Appeal

- Binoculars
- Leather Jacket
- Gore-Tex Jacket
- Sonya Car Discman
- Unstructured Roller Bag
- Leather Backpack
- Cordless Phone
- Sony Sports Radio

More Appeal

- Garden Bench & Adirondack Chair
- 4-in-1 Jacket
- Hanging Kit Bag
- Sony TV Watchman
- Flannel Sheets
- Fleece Slippers
- Bathrobe
- 3-Man Tent

Comments

Primarily male

Consumer Response To Items

Some Appeal

- BBQ Tool Sets
- Margarita Set
- Eddie Bauer
Weathered Crew Sweater
- Chili Bowls
- Weber Portable Grill
- Canvas Day Pack
- Coffee Maker
- Umbrella
- Garden Bench/Storage Unit

Comments

Primarily male

Less Appeal

- Hiking Boots
- Travel Alarm
- Thermal Tees
- Pocket Camera
- Car Compass
- Water Bottles

"Who's the manufacturer?",
"what if they don't fit?"

"I already have one."

"Boring."

"If I needed one, I'd go to
a specialty store."

"When would I ever use
that?", "I don't have a car."

"Yawn."

Situation

Consumer Learning for Media Planning

- Virginia Slims has historically included fashion and entertainment magazines in their media plan.
 - Should Virginia Slims add sports magazines to its booklist?
 - What questions do you need to ask?
 - What information would you need?
 - What would you recommend?

Virginia Slims Demographic Profile

GENDER::	Male	4
	Female	96
RACE::	White	83
	African American	9
	Spanish Speaking	4
	Hispanic	2
AGE:	18-24	5
	25-34	26
	35+	68
	35-44	30
	45-54	21
	55-64	11
	65+	7
	Median Age	39.51
INCOME:	Under \$30K	31
	\$30K+	56
EDUCATION:	No College	43
	Any College	56
MARITAL STATUS:	Married	57
	Not Married	42

Source: CTS, 12MM, 6/96

Storyfinder Data

SPORTS PARTICIPATED IN WITHIN THE LAST 12 MONTHS:

- Snowmobiling	273
- Billiards/pool	307
- Rock climbing	232
- Roller skating	182
- Bowling	180
- Fishing	198
- Horseback riding	208
- Volley ball	187
- Dancing (i.e. club/bar)	182

SPORTS ATTENDED WITHIN THE LAST 12 MONTHS:

- Auto shows	190
- Music performances	80

SPORTS WATCHED:

- Auto racing	209
- Fishing	185
- Truck/tractor pull/mud racing	250
- Professional wrestling	223

INDEX TO TOTAL POP

Virginia Slims 1997 Magazine Analysis

BEAUTY/FASHION	1997 Nat P4CB Cost	% Female	% Median Age	FS21-34 (000)	% Comp FS21-34	FS21-34 CPM	FS35-44 (000)	% Comp FS35-44	FS35-44 CPM	Index FS21-34	Index FS35-44
Allure											
Cosmopolitan	\$39,510	86	27	215	9.0%	\$184	76	2.4%	\$520	147	80
Elle	\$44,804	83	32	2033	15.9%	\$22	854	6.7%	\$52	183	117
Glamour	\$32,215	88	30	504	14.7%	\$64	154	4.5%	\$209	169	78
Harper's Bazaar	\$74,849	92	31	1467	14.7%	\$51	577	5.8%	\$130	294	176
Mademoiselle	\$24,602	69	36	301	10.1%	\$82	120	4.0%	\$205	116	70
Marie Claire	\$49,187	92	28	683	13.1%	\$72	221	4.2%	\$223	150	74
Miraella	\$29,510	85	33	361	15.0%	\$82	147	6.1%	\$201	180	112
New Woman	\$24,567	85	33	274	12.4%	\$90	101	4.6%	\$243	143	80
Self	\$22,032	96	35	370	10.1%	\$60	274	7.5%	\$80	116	131
Vouge	\$52,240	94	32	524	13.2%	\$100	247	6.2%	\$211	152	109
	\$58,187	87	32	1038	12.3%	\$56	404	4.8%	\$144	142	84

SPORTS

Tennis											
Sports Illustrated	\$38,922	39	40	22	3.1%	\$1,769	46	6.5%	\$846	36	113
Inside Sports	\$109,936	21	35	578	2.6%	\$190	301	1.4%	\$365	56	45
Sporting News	\$19,574	12	32	98	2.0%	\$200	53	1.1%	\$369	42	35
SI Woman	\$13,614	10	36	56	1.7%	\$243	26	0.8%	\$524	37	26
	\$22,000	99*	29*	195	13.2%	\$113	136	9.2%	\$162	146	158

Source: 1996 MRI Doublebase

• These figures are based upon Sports Illustrated estimates. The remaining criteria is based upon the Sports Illustrated primary female readers from the 1996 MRI Doublebase Study.

MMDC Workshop Notes

May 5-6, 1997

1. What did we get out of this workshop?

- New/refreshed perspective
 - Need to be more proactive/less reactive
 - What is our competition doing?
- Group discussion is valuable
 - Strategic thinking as a group
 - Collective brainstorming
 - Need to make time to do this more often
- How can we better maximize our relationship with M&SI?

2. What were the "voids" of the workshop?

- More in-depth "data" overview
- Possible participation of other groups
 - M&SI
 - Sales
 - Business planning

3. How do we become "masters"?

- Experience
- Pose "what if" questions to provoke investigation (even if for 5 minutes)
- Look at data more than just during Plan preparation
- Be more disciplined
- Foster atmosphere where strategic thinking is as important as executional excellence

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MMDC Workshop Notes
May 5-6, 1997

4. How can we make this workshop more valuable?

- Work on real-life business
- Day 1 better for AMB/BA
- More time spent on role of M&SI
- What does Senior Management look at?

*more interactive
Level - marketing 101*

TEAM II:

Gail Blumenson

Jeff Falvo

Tom Keim

Mike Murphy

Sue Norris

Shelby Rafferty

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MMDC II LEARNINGS AND THOUGHTS

- Be sure to include all the VP's in initial and subsequent meetings so they are all involved in the decisions together. This gives them better ownership and avoids "editing" after decisions are made.
- Consider another off-site, possibly to address the Metro initiative - doing a "Newport Team" in-depth competitive analysis.
- Investigate creating a computer simulation that would react to decisions made by Newport, Marlboro, Basic and Doral teams.
- Don't let the VP's or other Senior Management sit at the same table.
- Give the presenters, whoever they are, feedback on their work, both positive and constructive.
- Create a budget.
- Appoint a project leader and make it clear who that is from the outset.
- General contractor helped keep the group on track.
- Have the session be more active at the start; this can even be before Bob's opening remarks. Do an activity before any set up.
- Make sure it is easy for people to answer questions in a Socratic forum.
- Do some more small group activities to give people opportunities for "air time".
- Create action plans for what will happen as a result, with some specific accountabilities.
- Invitations were involving/generated interest (Robinson & Mailes)
- Work with Hunter Harwood upfront with computer system needs.
- IS person on site would be helpful.
- Games were good (need better way to "ring in").

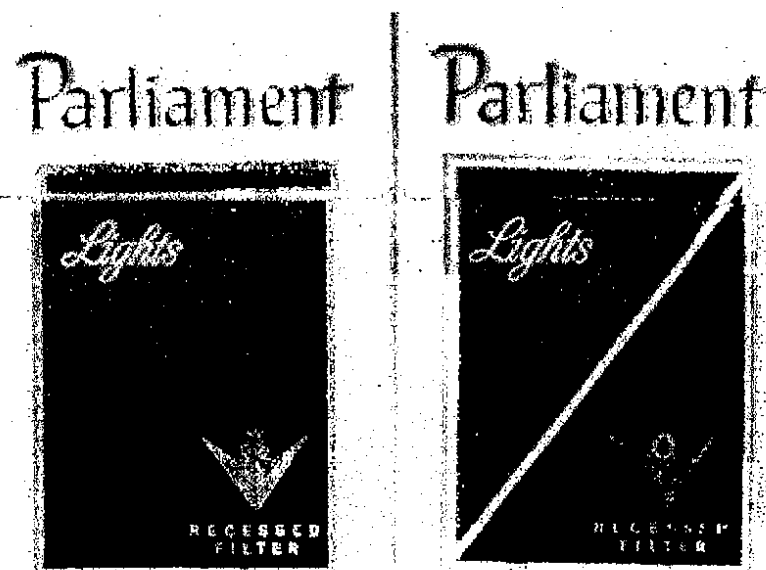
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Situation

Brand Equity in Package Design

- Parliament is committed to growing its business among young adult smokers in the Northeast but can't afford to lose its steady volume among older women in the suburbs across America.
 - Could a package change help you achieve this objective ?
 - What questions do you need to ask?
 - What information would you need?
 - How can you minimize risk?

Parliament Packaging



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Parliament Demographics

	<u>100's</u>		<u>Box</u>	
Gender:	Female:	68%	Female:	57%
	Male:	32%	Male:	43%
Median Age:		49		31
Race:	White:	88%	White:	92%
Income:	\$30K+:	65%	\$30K+:	61%
Education:	College:	52%	College:	61%
County:	A&B:	89%	A:	76%
Region:	1:	47%	1:	96%
	5:	24%		

Source: Consumer Tracking, 12MM, August, 1996

Parliament Brand Essence

VALUES (Foundation)

- Escapism/Idyllic
- Romance
- Aspirational Ethnic
- Clean-ness

MEANINGS (Interpretation)

- | | | |
|---------------|---------------|-------------------|
| • Freedom | • Pleasure | • Open |
| • Ethereal | • Intriguing | • Elegant/Refined |
| • Possibility | • Achievement | • Hopeful |

ASSOCIATIONS (What smokers see and experience)

Vista

- No physical boundaries
- "Perfect Recess"
- "Blue" water/sky

Couple

- Engaged
- Sensual
- Attractive
- Playful
- Romantic
- Classy

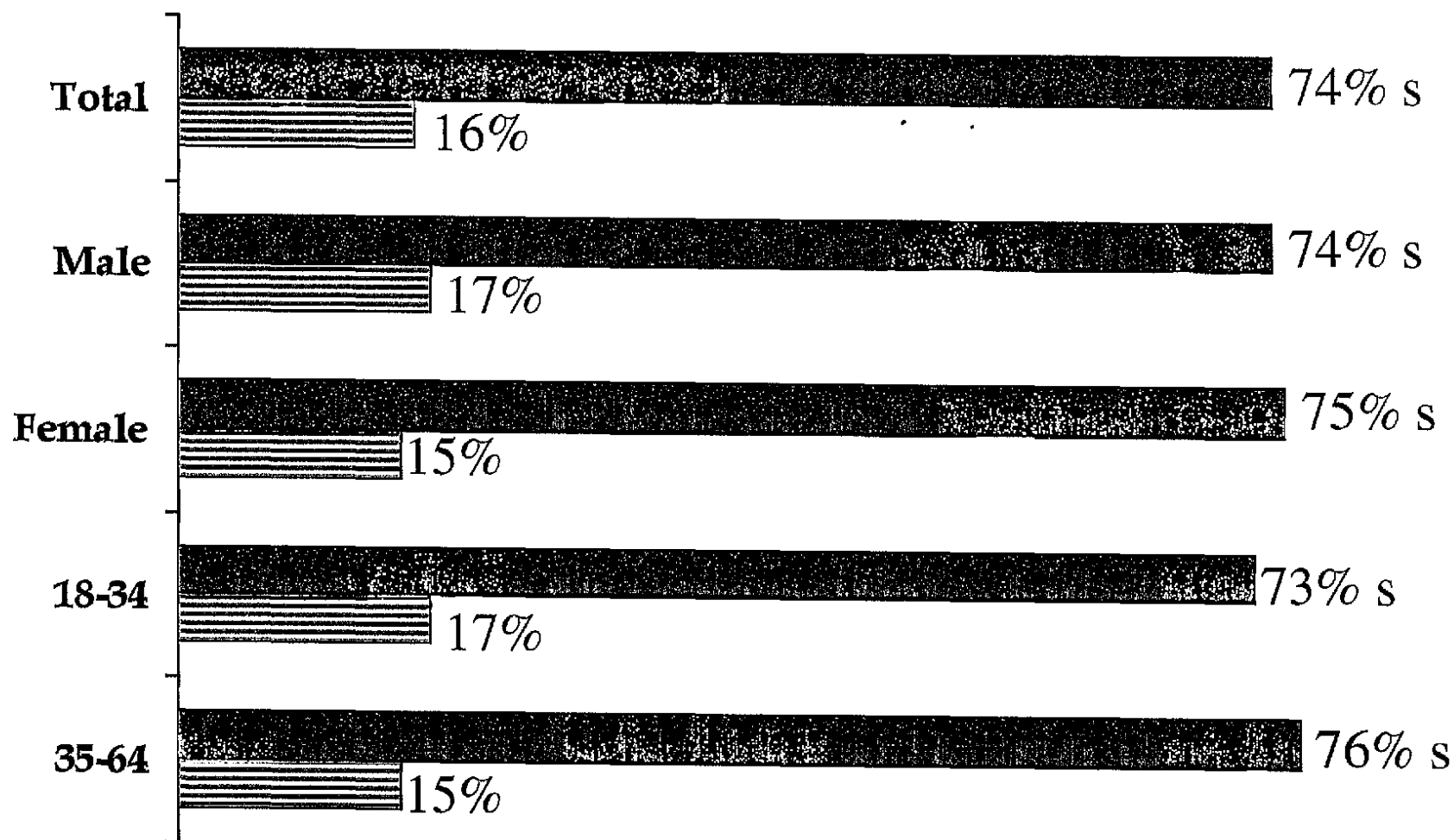
Architecture

- Formal
- Exotic
- Spacious
- Classic/Modern
- Luxurious
- White

Colors/Pack/Style

- "Blue" pack
- Diagonal colors
- Crisp
- Recessed Filter
- Lights
- White filter

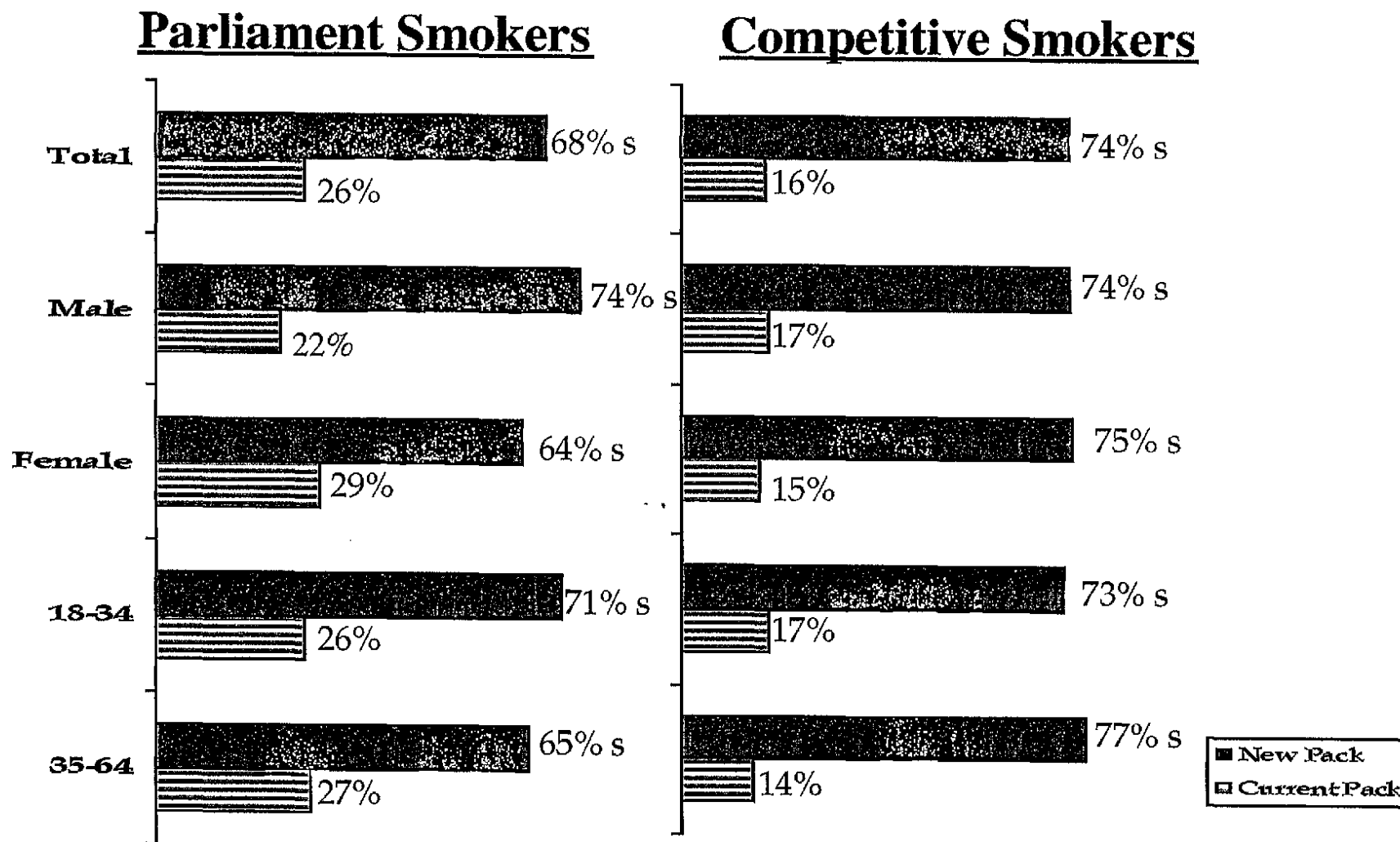
Overall Preference - Total Smokers



s = Significantly higher than Current at the 95% confidence level

■ New Pack
▨ Current Pack

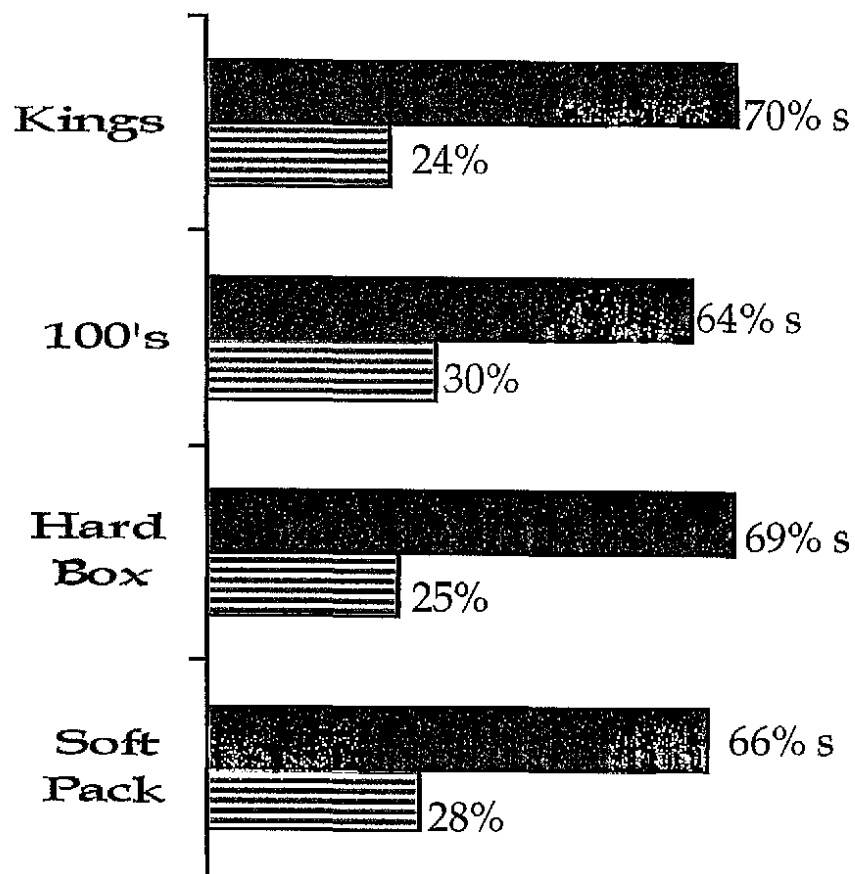
Overall Preference



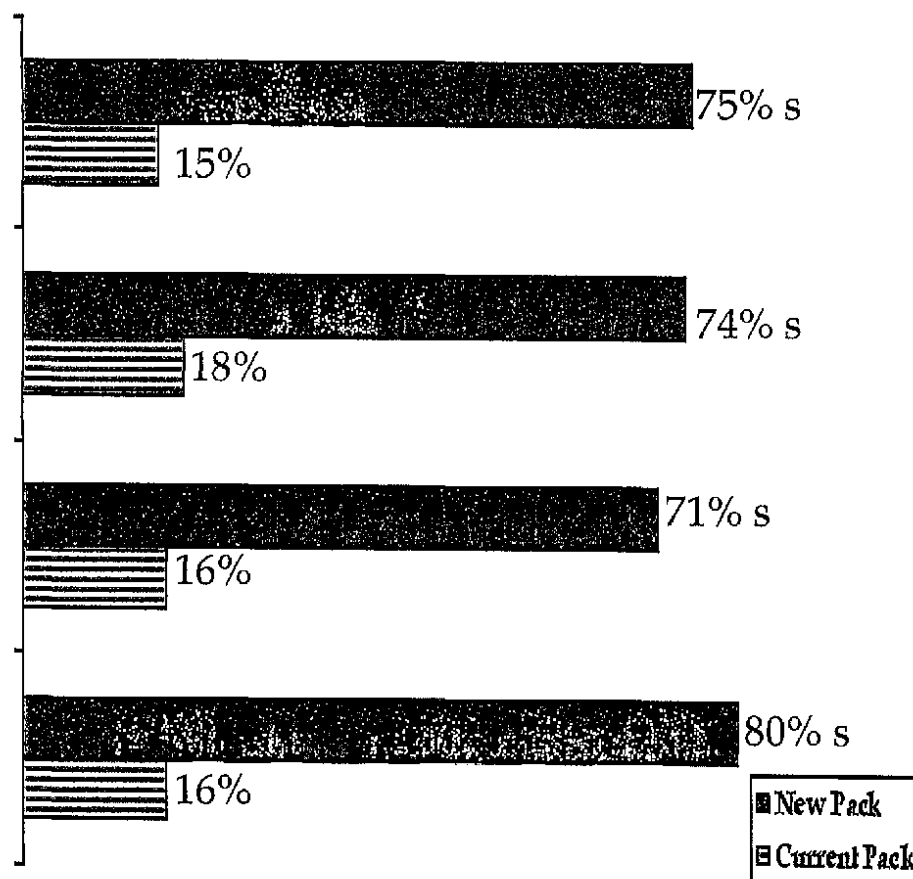
s = Significantly higher than Current at the 95% confidence level

Overall Preference

Parliament Smokers



Competitive Smokers



s = Significantly higher than Current at the 95% confidence level

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Evaluation of Cigarettes in Parliament Packs

MALE

N=	PARLIAMENT SMOKERS				COMPETITIVE SMOKERS			
	New	Current	Both	Neither	New	Current	Both	Neither
	Pack	Pack			Pack	Pack		
	-----100-----				-----100-----			
<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	
33 s	13	49	5	39s	8	48	5	
33 s	12	43	12	34s	13	40	13	
32 s	9	52	7	35s	11	37	17	
29 s	12	50	9	39s	10	39	12	
11	22s	14	53	16	24	14	46	

FEMALE

PARLIAMENT SMOKERS				COMPETITIVE SMOKERS				
N=	New <u>Pack</u>	Current <u>Pack</u>	<u>Both</u>	<u>Neither</u>	New <u>Pack</u>	Current <u>Pack</u>	<u>Both</u>	<u>Neither</u>
	-----126-----				-----131-----			
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
	27 s	12	59	2	29 s	8	58	5
	25 s	13	53	9	36 s	8	42	14
	26 s	14	58	2	33 s	8	49	10
	25	18	55	2	41 s	6	44	9
	7	26 s	11	56	15	23	11	51

s = Significantly higher than New/Current at the 95% confidence level.

Evaluation of Parliament Packs on Various Dimensions

	TOTAL							
	PARLIAMENT SMOKERS				COMPETITIVE SMOKERS			
	New Pack	Current Pack	Both	Neither	New Pack	Current Pack	Both	Neither
N=	226				231			
	%	%	%	%	%	%	%	%
Eye-catching	70 s	13	14	3	68 s	11	13	8
Modern	64 s	8	16	12	52 s	7	19	22
Classy looking	59 s	21	16	4	60 s	15	17	8
Stylish	57 s	16	21	6	55 s	11	20	14
Trendy	51 s	11	14	24	47 s	9	13	31
High quality	46 s	14	33	7	51 s	9	29	11
Unique	46 s	12	17	25	42 s	9	21	28
Elegant	45 s	15	19	21	50 s	9	16	25
Fits my personality	44 s	21	19	16	45 s	14	14	27
Innovative	44 s	11	15	30	41 s	10	19	30
Contemporary	43 s	22	24	11	36 s	21	24	19
Expensive	40 s	11	18	31	38 s	6	26	30
For young adults	35 s	8	25	32	31 s	7	26	36
Established	32	26	35	7	40 s	16	34	10
Classic	30	32	23	11	36 s	23	26	15
Feminine	30 s	17	12	41	30 s	12	19	39
Traditional	20	46 s	22	12	25	36 s	22	17
Masculine	19	23	14	44	20	25	19	36
Cheap looking	12	29 s	4	55	8	31 s	8	53
Ordinary looking	11	49 s	15	25	8	49 s	19	24
Old fashioned	9	48 s	10	33	8	47 s	14	31
Unattractive	9	24 s	7	58	9	31 s	8	53
Boring/dull	5	41 s	10	45	5	38 s	13	44

s = Significantly higher than New/Current at the 95% confidence level.

Situation

Product Development

- Within the past year, Doral has experienced faster growth than Basic.
 - Does Basic need to make some product changes?
 - What questions do you need to ask?
 - What information would you need?
 - What would you do?

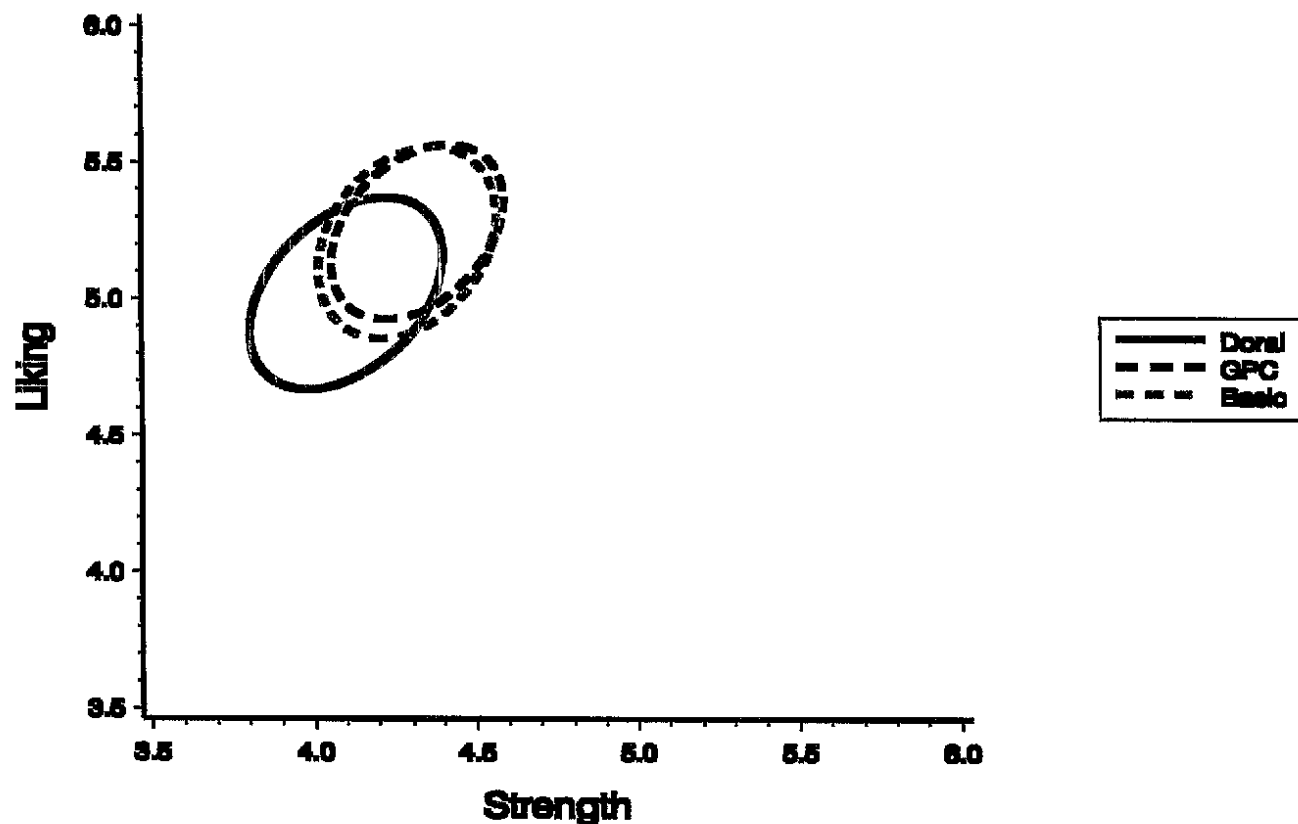
Competitive Testing - Analytical

Tipping				
<u>POL #</u>	<u>Cigarette</u>	<u>Color</u>	<u>Tar, mg</u>	<u>Tar/Puff</u>
3	Doral	Cork	13.5	1.71
9	Basic	Cork	15.8	1.90
4	GPC	Cork	15.2	1.90

Competitive Testing Program (GPC)

COMPETITIVE TESTING PROGRAM

Ratings by GPC KS SP Smokers



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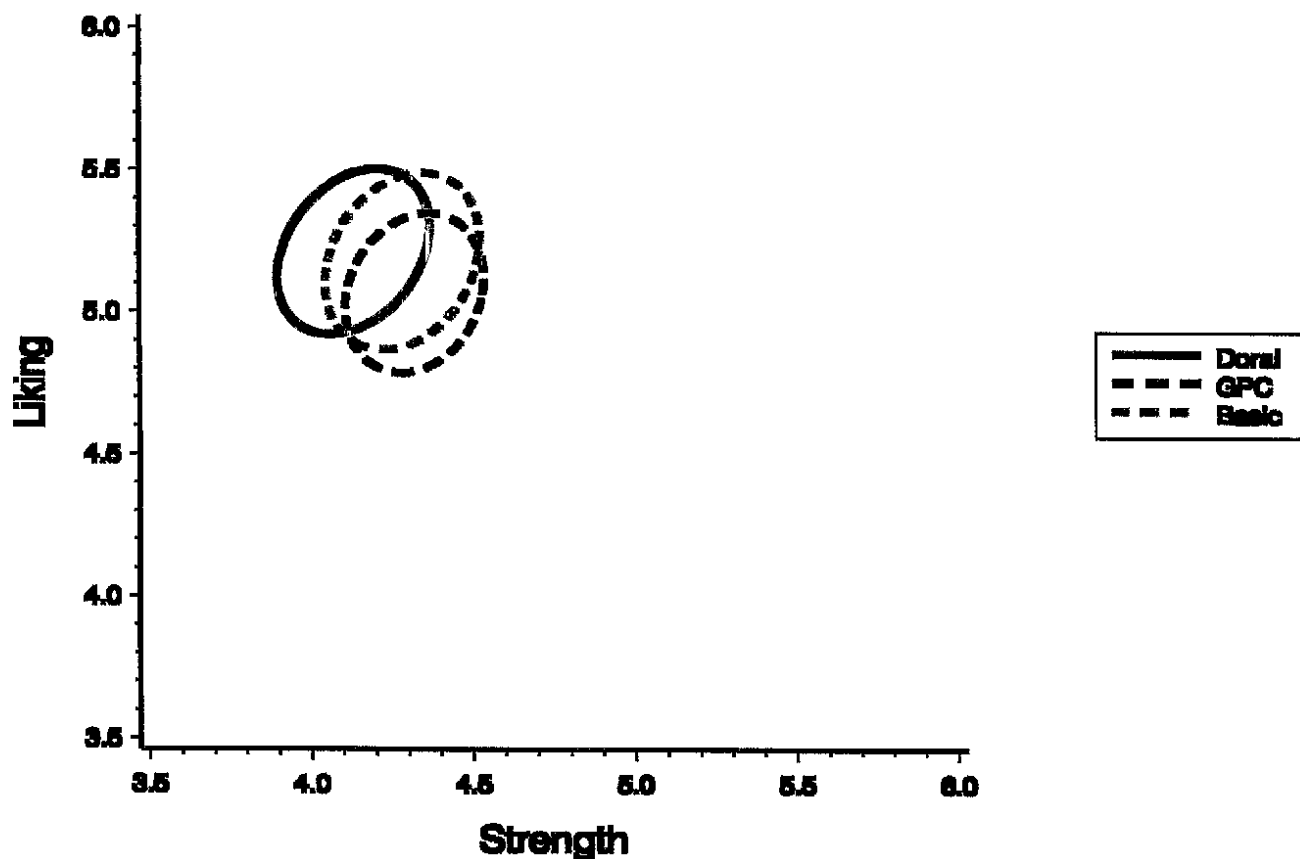
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Competitive Testing Program (Doral)

COMPETITIVE TESTING PROGRAM

Ratings by Doral KS SP Smokers



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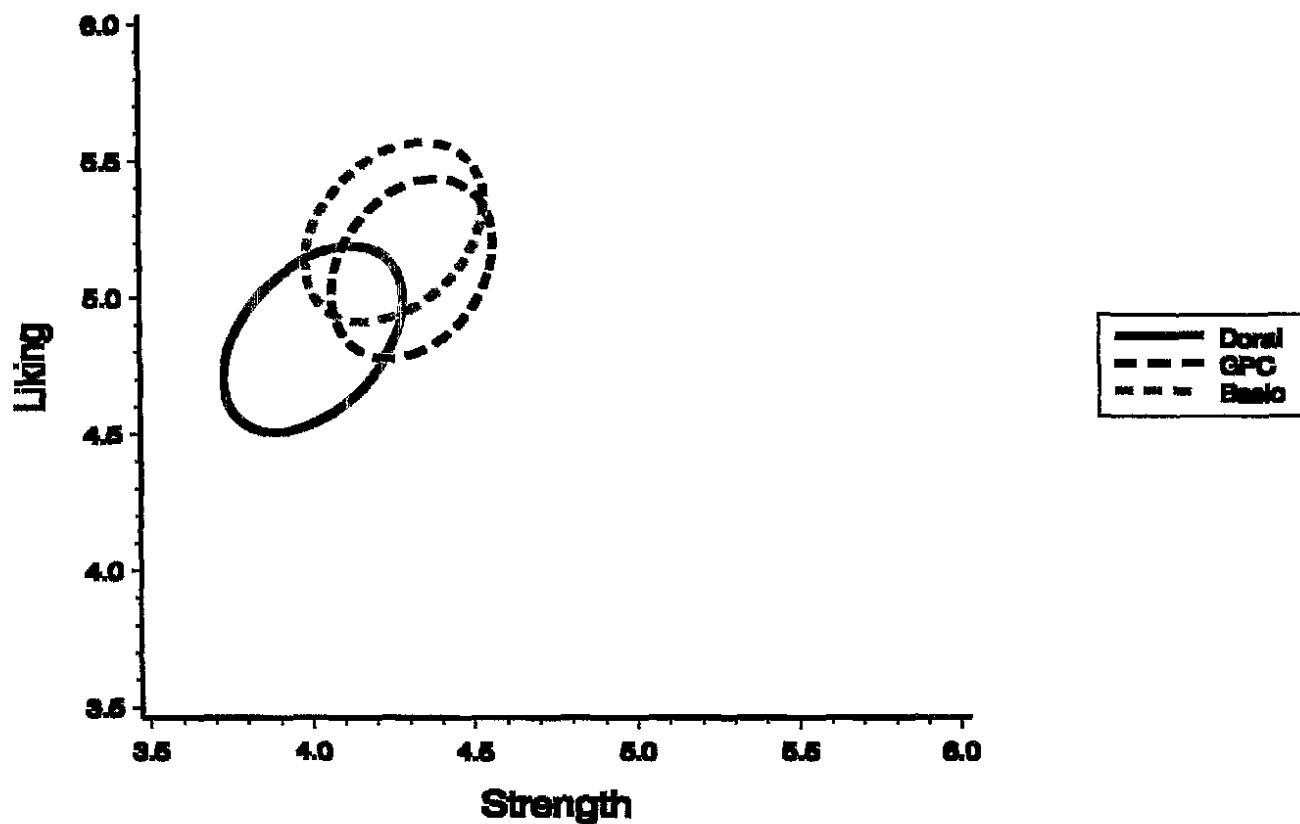
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Competitive Testing Program (Basic)

COMPETITIVE TESTING PROGRAM

Ratings by Basic KS SP Smokers



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